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FM AMEMBASSY ABIDJAN
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INFO RUEHZK/ECOWAS COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 ABIDJAN 001406

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E.O. 12958: DECL: 12/20/2016

TAGS: [EMIN IV](#)

SUBJECT: DIAMOND MINING IN COTE D'IVOIRE'S NORTH-CENTRAL
REGION

Classified By: Economic Officer Erfana Dar Reasons 1.4 (b) & (d)

11. (C) Summary: In the north-central region of Cote d'Ivoire near Korhogo, diamonds are mined using traditional methods of searching riverbeds with sieves. The yield from this particular region is small--perhaps a few hundred stones a month collectively--and offers a subsistence living for the few hundred people who are mining the area. There are a few small villages southwest of Korhogo within a radius of 50 kilometers of each other that produce relatively small stones of poor color. Miners are family units who mine the muddy waters and sell to one of three buyers in Tortiya, a small town approximately 115 km southwest of Korhogo. The average income for a mining family per month is about 20,000 CFA (40 USD) for several uncut diamonds of perhaps one carat size. Despite the fact that extracted diamonds are of lesser quality, with relatively low market value, a stone bought by a local middleman for 10,000 CFA (20 USD) will sell for ten times that price to an intermediate customer (approximately 100,000 CFA or 200 USD) with connections in the international diamond trade. It is estimated that each month roughly 200 stones are sold. According to sources in the area, the customer base in Tortiya is small and exclusive, mostly consisting of Chinese nationals. According to sources, there was no indication of forced child labor or sexual exploitation of women. The New Forces (FN) are responsible for security in the area, and is present largely in the form of an armed checkpoint manned by FN troops, and is widely assumed that they derive substantial revenue from this source. There is no coordinating agency or accounting procedure with which to qualify the gems. End Summary.

12. (C) Diamonds in the Rough: Tortiya is known in the north-central region southwest of Korhogo as the most notable location for diamonds. The town itself has few inhabitants and is frequented by 300-400 migrant miners at a time. Mining is done by hand in river beds and by family units. While it is highly labor intensive, there are no signs of forced child labor or exploited women. According to a report done for the UN by Major Ashraf Nadeem, a Political/Military observer posted to Korhogo and photos taken of the area included in his report, one can see families working in groups along the riverbed, where children help parents and conditions do not seem extreme (this evidence is largely corroborated by the acting mayor of Korhogo, a member of the RDR (opposition political party with a stronghold in the north)). There was once a formal diamond mine set up by the French nearly 30 years ago, but has been abandoned within the last decade as the significant flow of diamonds has dried up. Families mine the riverbeds with sieves, earning between 10,000 CFA to 20,000 CFA (20 USD to 40 USD) on average per month by collectively finding one or perhaps two diamonds of one carat size, uncut, and of yellowish color.

13. (C) The Local Middlemen: According to Major Nadeem, miners bring their stones to one of three main buyers in Tortiya: A French national known as Mr. Marius Sovard, a Malian immigrant by the name of Little Sieko who has been

settled in Seguela, or a Lebanese national whose name was not obtained. Mr. Sovard has been in the area for nearly 40 years and also operates a small hotel in the area, from which he buys and sells the diamonds mined by the migrant families working the nearby riverbeds. He was very involved in the diamond trade when it was operated by the French well over 15 years ago, and is considered highly experienced and selective in purchasing diamonds. The Lebanese merchant is known as a "wholesale merchant," meaning he purchases fruit and timber in addition to diamonds and what little gold is mined in the area as well. However, the most prominent buyer, "Little Sieko," lives in Seguela and comes to Tortiya every month or two. He is preferred by most miners as he pays more per stone and is of the same nationality. He is able to offer more money because he takes the diamond and makes payment to the miner only after he has sold it himself. The miner usually gets his money within four weeks after he has handed his stones to Little Sieko. Little Sieko has been doing this trade for nearly twenty years and it is understood he operates under the protection of the New Forces. He is also believed to import vehicles primarily from China, and according to sources in Tortiya, most of his diamond customers are Chinese nationals who have a sustained business relationship with him and come to Seguela to purchase his diamonds. According to a diamond customer, Little Sieko can sell diamonds for more than ten times the amount he has agreed to pay for them; for example, customers buying from Little Sieko pay between 100,000 CFA to 300,000 CFA (200 USD to 600 USD) for a diamond which is bought by Little Sieko for between 10,000 (20 USD) to 30,000 CFA (60 USD). According to photos of the stones, the stones are sold in groups of three to six, contained in small vials. Post can obtain the photos which were viewed by Econ officer at the time of the meeting. Please contact Erfana Dar, (225) 22.49.4602, dares@state.gov

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for further information.

14. (C) Comment: Mining diamonds in the area of Tortiya is a form of laborious subsistence living for the miners, but for the middlemen involved with selling the diamonds and the FN involved with the security of the area, the volume of diamonds here suggests the overall trade is profitable and steady enough to likely play a part in the West African rough diamond trade. It should be noted that this information pertains only to this small area in north Cote d'Ivoire and the situation may be different in Seguela and other regions of the country controlled by the FN (septel). The process did not appear from photos and sources to be coercive, and security in the area is well managed by the FN.

15. (C) It can be assumed that the FN are profiting from the sale and trade of the diamonds in their regions, despite denials from top FN officials (septel). If a few hundred people are mining Tortiya and yielding even a couple hundred small stones each month which are then sold to outside buyers for perhaps ten times the purchase price, then the result would be a steady and serious supply of cash. By conservative estimates, on average roughly 200 diamonds of various sizes are mined from Tortiya and sold per month. If the average selling price to the final customer for each stone is approximately 100,000 CFA (200 USD), this results in roughly 20,000,000 CFA each month (40,000 USD) in cash flowing from Tortiya alone. It was not possible to assess from this visit where exactly the diamonds go after they are bought in Tortiya, but it is clear that the stones are taken outside Cote d'Ivoire for sale on the international market, and it is also apparent that there is a small and familiar group of customers who are known to do this. According to sources, it will be difficult for a stranger in Tortiya without connections to other established clientele to simply arrange a meeting with Little Seiko and purchase stones for his private use. Major Nadeem theorized that this established group of diamond clients take the rough stones to countries such as Mali or Ghana, where they may be fraudulently certified via the Kimberly process and then put

for sale on the international market.

¶6. (C) In all probability profits from these diamonds are in part funding the FN. Reports by the UNSC have found that a significant volume of diamonds mined in the FN-held region are entering the legitimate diamond trade through Ghana and perhaps Mali. Concurring with published UN reports and source comment, post believes that in all probability the majority of diamonds mined in Tortiya are cleared for export in Ghana with Kimberly Certificates. The lack of controls and the availability of cheap labor in Tortiya allow these diamonds to enter the legitimate international market. Since the UN report was published, Ghana has implemented a working group to impose tighter controls of diamonds entering and leaving the country. Mali is not a Kimberly Process participant, but has expressed interest in joining member nations and a delegation was sent to the Kimberly Process annual plenary held in Botswana in November 2006. The FN denies any involvement in the diamond trade but admits that residents of the region were free to mine and sell diamonds to support their families.

¶7. (C) While the UN resolutions ban the sale of rough diamonds from Cote d'Ivoire and may be attuned to the serious humanitarian problems presented by the sale of "blood diamonds," for the average miner in Tortiya, it is simply a way o making a living from the river bed which flows an ebbs, much like the ongoing political situation. End Comment.
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